



# KAM Sector Newsletter

## Highlights

### Plastic Bags Ban

CS, Environment gazettes the ban on use, manufacture and importation of all plastic bags used for all commercial and household packaging in February 2017.

### KAM Sectors' Charter

The Sectors' Charter developed to guide sectoral operations and governance.

### Prompt Payment

Prompt Payment Report was drafted and handed over to the Principal Secretary, State Department of Trade, The report highlights current challenges and proposing measures to address them.



Kenya Association of Manufacturers (KAM) is the leading Business Membership Organisation in Kenya. The Association aims to promote competitive local manufacturing in a liberalized domestic market.

KAM comprises of 14 sectors. These are constituted based on the commonality of products manufactured locally.

The 14 sectors are:	
Agriculture Sector	Metal and Allied
Automotive and Accessories	Paper and PaperBoard
Building, Construction and Mining	Pharmaceutical & Medical Equipment
Chemical And Allied	Plastics and Rubber
Energy, Electrical, & Electronics	Services Sector/Consultant
Food and Beverages	Textiles and Apparels
Leather and Footwear	Timber, Wood and Furniture

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### *KAM Sectors' Charter*

The Sectors' Charter was developed to guide the sectoral operations. Kindly get your copy today to optimally benefit from the sectors.

### *Sectors Caucus Meeting*

KAM Sector Leaders met with KAM Chairlady and Vice Chair on 12th February 2017. Among the key issues discussed include: Key sector priorities in line with the 2017 Manufacturing Priority Agenda and Business Development Plan 2017 - 2019, Sector Chairs Caucus and Sector meetings schedule.

The roles of the Sector Officers, Sector Manager, Sector Members, and Sector Chairpersons/Vice Chairpersons were also documented for ease of operations.

Present at the meeting was the Trade and Tax Committee Chairman.

### *Sectoral Meetings*

Each sectors should hold at least 4 statutory meetings per year to held in each quarter. Other sector meetings may be called upon due to emerging issues.

### *Budget Highlights 2017/2018*

The Cabinet Secretary, National Treasury read the 2017/2018 Budget on 30th March 2017.

#### **Key highlights for manufacturers include:**

- 1.6 billion allocated for the leather industrial park development and textile development
- An additional 450 Million has been set aside to revamp of Rivertex, which was once Kenya's textile powerhouse.
- To cushion the local manufacturers of pesticides input, the government has proposed to exempt this products from VAT, and to include 16 % tax on all pest control imported products.
- Amendment of the Excise Duty Act to allow refund of excise duty paid on illuminating kerosene used in the manufacture of paint and resin by registered manufacturers. This positively impact local manufacturers of paints and resin by making their products regionally competitive.
- The Government proposed 80% remission of excise duty on locally manufactured beer made from locally produced sorghum, millet or cassava is also good news for local beer manufacturers and for Kenyan citizens as it reduces the uptake of dangerous illicit brews often used as alternatives to expensive brews.



- In an effort to equip and build local capacity in skilled labour, the Government has proposed Ksh. 600Million to go to Technical Vocational Education and Training Centers. This goes a long way in bridging the gap between industry needs and academia.
- The proposed zero rate on bread and maize flour is good news for all citizens as it addresses the need for Government to intervene in lowering the high cost of living and increase the purchasing power for consumers.
- Notably, the proposal to have Excise Goods Management Systems (EGMS) stamps embedded at a sliding scale from 0.5 to 2.5Kshs per stamp is also a welcome relief to beverage manufacturers.
- Prior to the National Budget being read, each Sector held consultative meetings and submitted agreed positions to the Trade and Tax Committee for review and submission to National Treasury.

### *Chemical Sector*

During the first quarter (January 2, 2017), the Chemical sector engaged the Pest Control Products Board (PCPB).

The PCPB reminded the sector members of the roadmap developed and adopted in Naivasha by both PCPB and the Sector on the registration of biocides. However, some industries have lagged behind in the implementation.

All Chemical companies were advised to register within the stipulated time. Members intimated the need to have a standard process for any industry requiring registration.



In addition, the sector members were informed of a backlog in registrations and renewals of pesticide registrations due to the absence of the Board, which has since been constituted. To fast track registrations, the Sector was advised to submit full product dossiers, and to follow through to ensure they are registered.

The sector was also advised to access the manual and details on the ongoing migration to the Global Harmonized System (GHS) from the PCPB website.

Similar strategic stakeholder meetings with other regulators were encouraged and the sector passed a resolution to meet on a quarterly basis to monitor and evaluate the sector's performance and adherence to policy.

### *Responsible care*

Chemical Safety, is key in today's society. In this regard, Sector members were urged to embrace Responsible Care. Through Responsible Care, manufacturers need to know their customers and

industry needs in order to embrace self-regulation in handling its chemical sources, use and management of waste derived thereof.

### ***Registering with the Institute of Human Resource Management***

Human Resource Managers are obliged to register with the Institute of Human Resource Management, IHRM.

### ***Plastics Bag Ban***

The Cabinet Secretary for Environment and Natural Resources gazetted the a ban on plastic bags effective August 2017 on 28th February 2017.

The manufacturing sector as a whole will also be negatively impacted as they utilise plastics for packaging products. Imported products packaged in plastics are not affected by the ban and this will create an uneven playing field for the sector.

KAM has been in consultation with the Ministry of Environment and Natural Resources and NEMA to find alternative measures of waste management rather than a ban to address waste management and consumer behaviour issue.

Prior to the ban, The East African Legislative Assembly meet Stakeholders in Nairobi to discuss the Plastics Ban and Control Bill 2016 which was recently introduced in the EAC Assembly. KAM presented her proposal to the Assembly for consideration.



### ***Motor Vehicle Sector Now Automotive Sector***

The Motor vehicle Sector changed its name to Automotive Sector. This is an all-inclusive name which accommodates all sub-sectors in the industry.

The Sub-Sectors include: the Motor vehicle sub-sector, the motorcycle sub-sector, the Bus body builders sub-sector and the Automotive accessories sub-sector.

The Motorcycle Sub-Sector have developed a policy that will inform the development of the sub-sector, and specifically on promoting local content.

### *Pharmaceutical Sector*

The Pharmaceutical and Medical Equipment Sector met the Director General and Directors of the National Commission for Science, Technology and Innovation (NACOSTI) which was subsequently followed by a factory to Universal Corporation visit.

The Sector later met the Cabinet Secretary, Ministry of Health and pertinent issues affecting the sector were discussed, some resolved and way forward agreed on the pending ones. Among the issues deliberated upon include: Multiple regulatory bodies, Kenya Health Bill 2016, Kenya Food and Drug Authority/Health Bill

### *Textiles and Apparels Cocktail*

KAM Textiles and Apparels manufacturers held a Sector's sundowner on 9th March 2017. The event was graced by Dr. Christian Schindler, the Executive Director for the International Textiles Manufacturers Federation (ITMF).

Other Key speakers were Mr. Jas Bedi, Director Bedi Investments, President ITMF, Chairman African Cotton and Textiles Industries Federation (ACTIF), Chair, Exports Promotion Council and former KAM chair, Ms. Belinda Edmonds, the executive Director of ACTIF and Dr. Moses Ikiara, the Managing Director of KENINVEST.



The presentations by Dr. Schindler and Mr. Jas Bedi provided insights into the dynamics of the manufacturing space in the global cotton-textiles-apparels value chain. With a tracking of key occurrences on global textiles and apparels machinery, Dr. Schindler's and Mr. Bedi's presentation linked the machinery capacity with the global textiles and apparels market, changing supply chain patterns and the shifting manufacturing prowess.

It was agreed that KAM will work with together ITMF and ACTIF to organize other major events. Dr. Schindler also pointed out that the global textiles and apparels sector will come to Kenya during the ITMF conference.

### ***Cotton Textiles Apparels Core Team Meeting***

The Cotton, Textiles and Apparels (CTA) Sector core team met on 19th January 2017 at KAM.

The core team was formed as a result of various initiatives by Supporting Indian Trade in Africa (SITA), a program funded by ITC geared towards encouraging trade and investment between EAC countries and India.

The CTA core team is constituted of various government and private sector stakeholders with affiliations to the value chain. KAM is currently the core team's secretariat.



During the meeting, the core team's work plan was adopted. The Skills Gap Assessment Report on the value chain was also presented.

McKinsey Social Initiative reported that they are working on setting up the 10 vocational centres in 10 counties spread around the country. The Ministry of Trade, Industry and Coop on the other hand, updated the team on its plans on having an investment and trade promotion mission to India and Bangladesh.

The next CTA core team meeting is scheduled for May 2017.

### ***Thika Cloth Mills Launches an Autoconer machine in its Spinning Unit***

Thika Cloth Mills launched a new Machine in the Spinning department on 28th November 2016. The autoconer machine will enable the company reduce its energy consumption since it is energy efficient, improve its product quality, increase its production and ultimately reduce its unit cost of manufacture.

Thika Cloth Mills is a fully integrated composite mill with over 50 years in existence. It is one of the oldest textile mills in Kenya that survived the collapse of the Textile industry after market liberalization.

Speaking at the launch, the Principal Secretary, State Department of Cooperative Development, Mr. Ali Door Ismail noted that the government was committed in supporting the revival and growth of the textile industry.

KAM Chief Executive, Ms Phyllis Wakiaga, pointed out that the Cotton-textiles-apparel value chain is highly integrated with great value addition, labor intensive and numerous ripple effects on the economy thus the need to fully support.

Thika Cloth Mills acquired its new spinning machinery (autoconer) and a spinning machine through the financial support from SUNREF (Sustainable Use of Natural Resources and Energy Financing). SUNREF program is an AFD program hosted at KAM that provides low cost financing and technical assistance to manufacturers who want to implement energy efficient management measures in their companies.

Currently, SUNREF has a project portfolio of over 250 projects in hydro, solar, biogas, biomass and energy efficiency and energy service companies (ESCOS) and has already financed 16 projects to the tune of USD 58 million to date.

As a simple way for companies to determine the need of equipment replacement and modernisation is to first carry out an Investment Grade Audit that informs both SUNREF and the manufacturer on possible energy saving measures and the financial implications (investment required and payback period). This allows both the manufacturers to deduce the profitability of the change while at the same time inform the SUNREF technical team of the eligibility of the project to be implemented as per SUNREF criteria.

### *Metal Sector Realigns into 7 Sub-Sectors, elects new Chair*

KAM metal Sector named Mr. Bobby Johnson of Steel Makers Ltd as their new Chairman and Mr. Kaushik Pandit of Maisha Mabati/Devki Ltd as the Vice Chairman. The incoming chair stated that his goal is to activate key Metal and Allied sub sectors to effectively lobby and advocate for manufacturers under the sector.

Subsequently in a Sector's meeting the following Metal Sub-Sectors were formed and their respective leaders elected.



#### • **Smelting/Hot Rolling/ Foundry & Forgers**

- Leader- Neil Nathwani, Apex Steel
- Deputy Leaders- Paul Gichu, Endmor Steel Millers Ltd and Kunal Gupta, Athi river Steel Plant Ltd

#### • **Cold Rolling/Galvanizing & Color Coating**

- Leader- Suraj Patel, Corrugated Sheets
- Deputy Leader: Pankaj Kumar, MRM

#### • **Pipes and Tubes**

- Leader- Ketan Doshi, Brollo Kenya Ltd

- Deputy Leaders- Niral Savla, Tononoka Steel
- **Wire & Wire Product**
  - Leader-Neelkamal Shah, Nails & Steels Products
  - Deputy Leaders- Murtaza Tarmal, Tarmal Wire Product, Preeth Xavier, Wire Products
- **General fabricators**
  - Leader – Sonaar Shah,SSL
  - Deputy Leaders- Jitendra Madhaparia, Superfit Steelcon Ltd and Rahim Biviji, Zenith Stell FAB
- **Allied Industries**
  - Leader- Kinyua Mureithi, Allied Industries
  - Deputy Leader- Kanu Patel, Fit Tight Fasteners

### *Energy Sector meets KPLC*

Kenya Power and KAM held a meeting on 16th February 2017 as part of an initiative to boost the relationship between the two entities. The meeting is part of Kenya Power's continuous engagement with its customers to improve their experience and strengthen their confidence in the Company's services.

Kenya Power Ag. Managing Director & CEO, Dr. Ken Tarus stated that regular engagements with industrial users has resulted in the efficient use of power by industry and enhanced energy security.



### *The KAM Agriculture Sector*

The Fresh Produce Sector has been expanded to include other Agricultural players. This necessitated the creation of the Agriculture Sector.

Kenya is an Agriculture based economy, and it is evident that Agricultural processing is the largest sector in KAM. The Food Sector members use Agricultural raw materials, the Agrochemical subsector exist to serve agriculture. Textiles Sector also acquire their raw materials from cotton and silk whereas the Leather and footwear have the majority of components from the agriculture Sector. This is why, it is important to have an agriculture Sector, to harmonize some cross-cutting issues while maintaining the specificity of the individual sectors.



The Chairman for Agriculture Sector is Mr. Bimal Kantaria of Elgon. In the Inauguration of the Sector, the Chairman informed the members to retain their membership in their respective sectors, but they may appoint representatives to attend the Agriculture Sector meetings.

On 21st March 2017, KAM Chief Executive, Ms. Phyllis Wakiaga and the Sector Chairman paid a courtesy call to the Cabinet Secretary Ministry of Agriculture, Livestock and Fisheries, Hon Willy Bett. The Cabinet Secretary agreed to a request to assign one of his officers to sit in the Agriculture Sector.

### *Service and Consultancy*

Unique to the Manufacturing Sectors is the Services and Consultancy Sector. This sector comprises of members who offer consultancy services and other support services to Manufacturers.

There are 101 members in this sector that constitute 11% of the total membership and include service industries namely: Banks, Insurance firms, Transporters, Advertising, Event Management, Communication, and Clearing and Forwarding. Consultancies offer technical, professional and advisory services to the formal industry in such areas as environment, labor, management, training and process improvement among others. The sector has been sub-divided into the following sub-sectors for ease of operation.

- Human Resource and Training Sub - Sector
- Events & Marketing Sub – Sector
- Educational Sub – Sector
- Financial Sub – Sector
- Airline and Logistics Sub - Sector

### *Prompt Payment*

On 23rd March 2017, the Principal Secretary, State Department of Trade Dr Chris Kiptoo received a Prompt Payment report that was commissioned by Kenya Association of Manufacturers (KAM) in partnership with Suppliers Association of Kenya and Retail Trade Association of Kenya (Retrak).

The report is an overview of the retail sector aimed at highlighting current challenges and proposing measures to address them.

Speaking at the meeting, Dr Kiptoo reiterated the position of government



as a regulator to ensure that all involved in the sector are on a level playing field. He said, “The findings in this report will assist us to develop efficient ways to ensure fair play in the market to erase or eradicate any tendencies towards unhealthy dominance. This sector was left unregulated for a while, and we want to ensure that there is a code of practice all players can adhere to.”

Manufacturers and suppliers had previously raised concerns about the delay in payments by retailers stating that about 40 Billion was still unpaid to them, and they were seeking assistance to handle the crisis.

### *Special Economic Zones (SEZ)*

Special Economic Zones are increasingly being used as economic tools to promote private investment, industrialisation employment creation, diversification and export growth. This is achieved through offering of quality infrastructure, streamlined business regulations and incentives to SEZs businesses. SEZs enable countries with limited experience in global trade to develop high technology manufacturing, grow new enterprises, commercialise innovations, and provide high-end services.

On March 15th 2017, a meeting was held at KAM on the Special Economic Zones. The SEZ law was enacted on 11th September 2015, and it came into commencement on 15th December, 2015.

According to section 4 of the Special Economic Zone Act 2015, a “SEZ shall be a designated geographical area where business enabling policies, integrated land uses and sector appropriate on-site and offsite infrastructure and utilities shall be provided, or which has the potential to be developed, whether on a public, private or public-private partnership basis, where any goods introduced and specified services provided are regarded, in so far as import duties and taxes are concerned, as being outside the customs territory and wherein the benefits provided under this Act apply”.

The Special Economic Zones Act, 2015 stipulates that;

“An area declared as a special economic zone may be designated as a single sector or multiple sector special economic zone, and may include, but not limited to-

free trade zones; (b) industrial parks; (c) free ports; (d) information communication technology parks; (e) science and technology parks; (f) agricultural zones; (g) tourist and recreational zones; (h) business service parks; (i) livestock zones”

Local Manufacturers are encouraged to take advantage of the SEZs to expand their investments in all sectors. The SEZ Chairman Mr. Polycarp Igathe and former KAM Chairman invites all Manufacturers to take lead in the SEZs.

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